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IBTEX No. 85 of 2022 — May 06, 2022

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INTERNATIONAL NEWS

Brazil CEPEA/ESALQ Index for cotton fluctuates in April

The CEPEA/ESALQ Index for cotton fluctuated in the Brazilian market in April, due to wide gap between asking and bidding prices in the spot market. Between March 31 and April 29, the CEPEA/ESALQ Index for cotton rose by 1.7 per cent, closing at BRL 7.3829/pound on April 29. The monthly average closed at BRL 7.2062/pound, the highest in the series of CEPEA.

Late in the month, liquidity was low in the domestic market, the Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on the Brazilian cotton market.

“Aware of the volatility of both cotton prices abroad and the dollar against the real, Brazilian sellers were either willing to lower asking prices or raising quotations, majorly some trading companies that supply cotton to the domestic market,” the report said.

“Still, sellers were more interested in closing deals than purchasers since agents from processors reported difficulties to pass on cotton valuations to finished products.

Thus, some of these agents either put pressure on cotton prices in the spot or stayed away from the market, working with the product stocked and/or being delivered (previously purchased). The purchasers with urgent needs bought cotton in the spot, which were usually low amounts of high-quality cotton,” the report added.

Source: fibre2fashion.com– May 05, 2022

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Mar 2022 German exports down 3.3% over Feb figure, rise 8.1% YoY

German exports in March this year were worth €120.6 billion—down by 3.3 per cent—and imports up by 3.4 per cent on a calendar and seasonally-adjusted basis compared with February. Exports increased by 8.1 per cent and imports by 20.3 per cent over March 2021. Its exports to member states of the European Union (EU) were worth €66.6 billion in March, while imports from those countries were worth €56.7 billion.

Based on provisional data, the Federal Statistical Office (Destatis) reported that compared with February this year, exports to the EU countries in March dropped by 1.7 per cent and imports from those countries by 3 per cent.

Goods worth €45.6 billion (minus 2.9 per cent) were exported to the euro area countries in the month, while the value of the goods imported from those countries was €39.2 billion euros (minus 3 per cent).

Goods to the value of €21.0 billion (plus 0.9 per cent) were exported to EU countries not belonging to the euro area, while the value of the goods imported from those countries was €17.5 billion (minus 3 per cent).

Compared with February 2022, exports to the Russian Federation in March decreased by 62.3 per cent to €0.9 billion due to sanctions imposed as a result of Ukraine's war with Russia, further measures to restrict exports and unsanctioned behaviour of market participants. Imports from Russia declined by 2.4 per cent to €3.6 billion in the month.

The foreign trade balance showed a surplus of 3.2 billion euros in March 2022.

Exports of goods to countries outside the EU (third countries) amounted to €54 billion in March this year, while imports from those countries totalled €60.7 billion. Compared with February, exports to third countries decreased by 5.1 per cent, while imports from those countries increased by 10.1 per cent.

Most German exports went to the United States in March, with goods exports up by 3.2 per cent over February. As a result, exports to the United States rose to €11.5 billion.

Exports to China declined by 4.3 per cent to €9.1 billion and exports to the United Kingdom fell by 3.9 per cent to €5.5 billion.

Most imports to Germany in March 2022 came from China. Goods to the value of €16.3 billion were imported from there, which was a 15.8 per cent increase compared with the previous month. Imports from the United States rose by 6.3 per cent to €6.8 billion. Imports from the United Kingdom increased by 40.8 per cent to €3.7 billion in the same period.

Germany exported goods worth €137.4 billion and imported goods worth €127.7 billion on a nominal basis in March. Compared with March 2021, exports increased by 8.1 per cent and imports by 20.1 per cent.

Source: fibre2fashion.com– May 06, 2022

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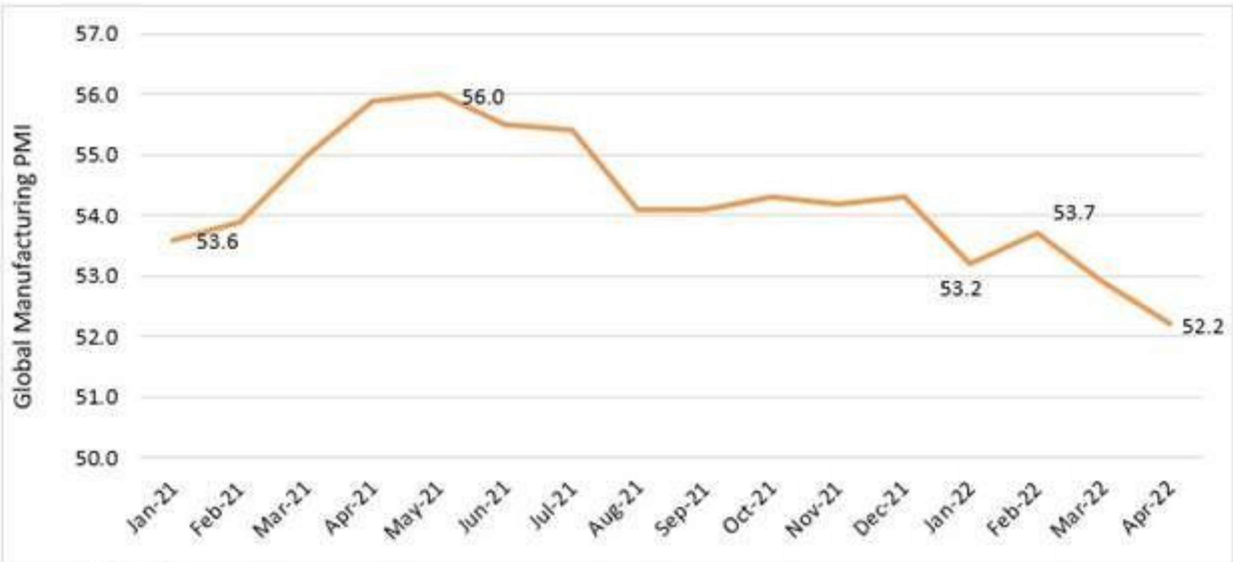
Global Manufacturing Growth Continues to be Challenged

Global manufacturing activity continues to expand as business sentiment in major manufacturing hubs remained strongly positive in April 2022, albeit the pace of growth continues to moderate. This is primarily due to contraction in some major manufacturing economies globally and slight moderation in others.

Manufacturing Purchasing Managers Index (PMI) for the overall global economy continues to slide down from the most recent peak at 56.0 in May 2021, reflecting positive but weakening sentiment over the last one year. Manufacturing PMI for the US and Eurozone indicated very positive outlook in the two economies for the most recent month, while Japan, India and Australia also maintained strong sentiment for the manufacturing sector. Sentiment in China slowed down yet again since December 2021, and the activity again shows signs of contraction as opposed to the almost neutral sentiment two months ago.

Figure 1: Global Manufacturing PMI



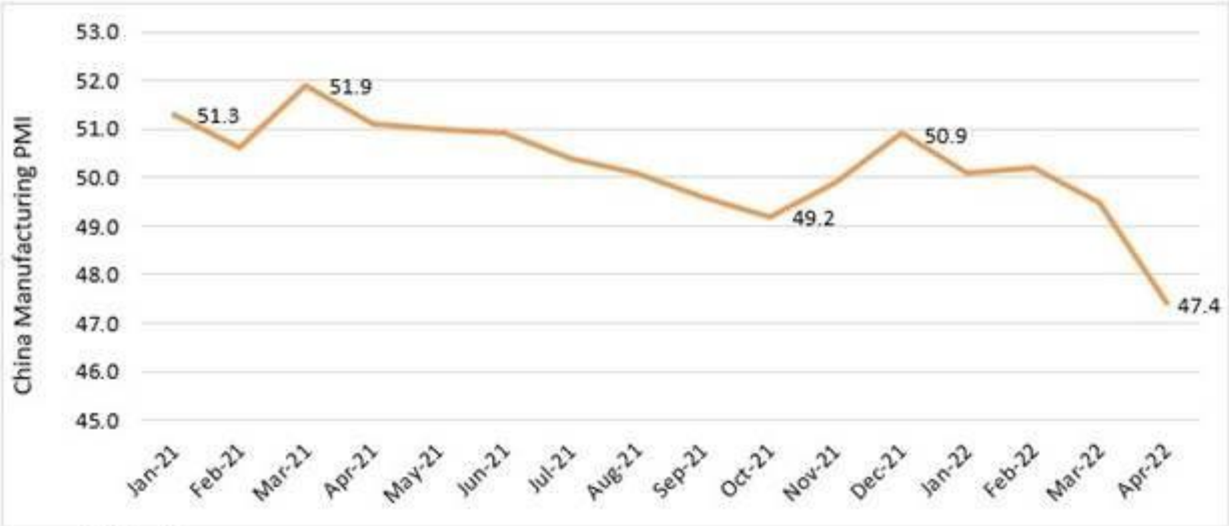
Source: IHS Markit

Global manufacturing PMI fell to 52.2 in April 2022 from 52.9 in March 2022. However, it has remained above the neutral level 50.0 since August 2020. The slide in manufacturing activity comes majorly due to strict COVID-19 policies in China, which have led its manufacturing activity to contract over the last few months. Excluding China, global manufacturing output index (part of the global manufacturing PMI) reflected strong positive sentiment, increasing slightly to 53.2 in April 2022 from 53.1 in March 2022. Another factor impacting the business sentiment was a slowdown in export orders in countries such as China, Germany, Japan, and France among others, while North America, India and Australia saw growth in export activity.

Employment in manufacturing sector globally continued to rise, but the pace was slowest in April 2022 since the beginning of this year. As expected with the activity levels, employment saw a rise in the US, EU, Japan, India and Brazil, while it saw a decline in China. A major deterrent to manufacturing activity globally remains increasing inflationary pressures which increased input costs across all sectors. Average purchase price increased by one of the greatest extents in the last 11 years. This was exacerbated by longer supplier lead times due to supply chain disruptions.

China

Figure 2: China Manufacturing PMI



Source: IHS Markit

Economic activity in China continues to be dampened by the zero-COVID policy of the government. Manufacturing activity suffered from both sides, as demand conditions were softer and supply bottlenecks and raw material shortages increased costs for the businesses. The manufacturing PMI for China declined to 46.0 in April 2022 from 48.1 in March 2022. Efforts to curb the COVID-19 infections impacted new business activity heavily. Production levels declined at one of the steepest rates since 2004, with the only exception of February 2020 (the peak of COVID-19 first wave in China). While domestic restrictions weighed heavily on the overall output, new business demand from clients outside China also declined as orders were cancelled due to rising shipping and logistical challenges.

High transport costs and prices of key raw materials led to increasing input costs. However, the overall rate of inflation eased slightly from previous month, as prices of final products rose only slightly due to weaker demand. On the other hand, there were difficulties in getting workers back to the factories due to increased movement restrictions. Employment in China's manufacturing sector has declined in eight out of the last nine months. Overall business sentiment remained steady in April 2022 compared to the previous month, but it was still below the long-term average.

Click here for more details

Source: fibre2fashion.com– May 06, 2022

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Xinjiang cotton found in Adidas, Puma and Hugo Boss tops, researchers say

Researchers say they have found traces of Xinjiang cotton in shirts and T-shirts made by Adidas, Puma and Hugo Boss, appearing to contradict the German clothing companies' promises to revise their supply chains after allegations of widespread forced labour in the Chinese region.

Recent reports have suggested more than half a million people from minority ethnic groups such as the Uyghurs have been coerced into picking cotton in Xinjiang, which provides more than 80% of China's and a fifth of the global production of cotton.

The US banned cotton imports from the autonomous region in north-west China last year, a move also debated in the European parliament but not enacted by the European Commission. Nonetheless, several large western clothes brands and fashion brands vowed to no longer use Xinjiang cotton in the light of the revelations.

Hugo Boss said that as of October 2021 its new collections "have been verified in line with our global standards again", and that it "does not tolerate forced labour". Puma stated in 2020 it had "no direct or indirect business relationship with any manufacturer in Xinjiang", while Adidas said the same year it had no contractual relationship with any Xinjiang supplier but had instructed its fabric suppliers not to source yarn from the region in the wake of reports about human rights violations.

However, researchers at the Agroisolab in Jülich and the Hochschule Niederrhein University of Applied Sciences, both in western Germany, say an isotope analysis has found traces of Xinjiang cotton in Puma and Adidas T-shirts, shirts by Hugo Boss and the German outdoor wear brand Jack Wolfskin, and a pullover by the fashion company Tom Tailor.

"The isotopic fingerprints in the cotton are unambiguous and can be differentiated from cotton sourced from other countries and even other Chinese regions," Markus Boner of Agroisolab told the German public broadcaster NDR's investigative programme STRG_F.

Isotope analysis is usually used by archaeologists or forensic scientists to trace the geographic origin of organic or non-organic substances.

The five German clothes brands have been contacted by the Guardian for a response to the findings, which STRG_F said it would share with the companies.

A spokesperson for Puma told the Guardian that "we strongly insist on the fact and reconfirm that Puma does not source any cotton from the Xinjiang region. We do reiterate that we do not have any relations – direct or indirect - with any cotton supplier in the Xinjiang region.

"Based on all the information we obtained through our investigations, and the traceability controls we put in place in our supply chain, we are confident that we do not source cotton from the Xinjiang region."

A spokesperson for Adidas said the company "sources cotton exclusively from other countries and takes a variety of measures to ensure fair and safe working conditions in its supply chain".

Asked by STRG_F's researchers in advance of publication whether they could rule out that Xinjiang cotton was used in their products, Hugo Boss said it did not tolerate forced labour in its supply chains.

Jack Wolfskin did not directly answer a question about the use of Xinjiang cotton in its supply chain but said its cotton was certified. Tom Tailor did not reply to queries from the programme.

Speaking anonymously, one auditor investigating Chinese subcontractors told STRG_F it was practically impossible for western companies to thoroughly shed a light on their own supply chains as their access in China was restricted by the communist government of Xi Jinping.

"It is theoretically possible but highly unlikely that western businesses can say with certainty that there is no forced labour in their cotton supply chains in Xinjiang," the auditor said.

Source: theguardian.com– May 05, 2022

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Vietnam firms struggle as China lockdowns disrupt supply chains

Vietnamese businesses are finding it difficult to cope with supply chain breakages as a result of China enforcing strict COVID-19 lockdown policies to curb recent outbreaks.

This has significantly affected raw material supply and exports because China usually supplies a large quantity of materials used by many industries in Việt Nam for production.

Since China has placed many factories and seaports under lockdowns, the import of components needed for automobile production and assembly is being delayed by around a month, according to the Việt Nam Automobile Manufacturers' Association (VAMA).

Other industries like textiles and garments and electronics manufacturing are facing similar problems.

This is not just slowing production, some companies are also unable to finish their export orders.

Agriculture produce exports to China, one of the biggest buyers of Việt Nam's produce, has also been severely affected because the neighbouring country has tightened customs checks and procedures.

Export containers are getting stuck at entry points for weeks, and some are even turned back.

The exports of vegetables and fruits to China in the first quarter of the year has dropped by 25 per cent year-on-year.

Coping strategies

Long An Province's CASS Fruits and Vegetables Preservation Co., Ltd., has been providing nitrogen pumping service for cold containers to preserve fresh produce longer, helping businesses keep their products fresh until they can be successfully exported.

Quách Thị Lệ Chân, director of the company, said that while this technology had only been provided for cold storage until now, it is also being used during goods transportation. The company is also charging less for its service to help businesses, she said.

The Thanh Bình Co-operative Group in Đồng Nai Province, which specialises in banana products, has seen exports to China drop in the first few months of the year, but its farmer members are spreading out their harvests to sell throughout the year, so their produce is not all stuck in one place.

Lý Minh Hùng, director of the group, said that they were also focusing on producing a wide variety of processed products such as dried bananas or banana fibre for making garments, which boosts their income.

A Mekong Delta seafood company's representative told the Người Lao Động (Labourers) newspaper that while they used to export plenty of shark catfish to China, they have cut back, and only sells them to a few close customers. Instead, the firm has diversified its export markets and is not affected much by China's recent COVID restrictions.

According to the HCM City Leather and Footwear Association, some firms unable to import raw material imports by sea have procured some via border trade, but in limited quantities for higher prices.

Nguyễn Chí Trung, chairman of the Gia Định Footwear Corporation, said that businesses need to identify domestic suppliers of raw materials to replace imported ones, and avoid taking orders that require high quality materials.

Textile and garment businesses have been focusing on sourcing materials domestically since last year's COVID outbreak, but they have not been able to satisfy much of their material demand and continue to rely on imports.

Trần Như Tùng, deputy chairman of the Việt Nam Textile and Garment Association said that businesses should look into sourcing materials from South Korea, Taiwan (China) or Vietnamese firms, and they will have to accept paying higher prices.

“Domestic supply chains are important, not just for protecting businesses against disruption in the international market, but also to get tax benefits when exporting to countries having trade agreements with Việt Nam.”

Car makers need to reorganise production and avoid relying too much on any particular market for their component imports, the VAMA has advised.

Source: einnews.com– May 06, 2022

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Lifting international ban on Uzbek cotton will push up India's cotton stocks

Last month, international brands and retailers decided to lift the ban on cotton grown in Uzbekistan. The decision came as a huge relief to the country as cotton is the main cash crop in Uzbekistan, one of the main pillars of its economy. As per a daijiworld.com report, cotton cultivation in Uzbekistan dates back a few centuries. The crop is important to Uzbekistan's national economy. However, since its independence in 1991, Uzbekistan has been accused of using forced labor, especially child labor for harvesting of the crop.

Ban drives elimination of child labor in Uzbekistan

The accusation led to 331 international brands and retailers banning cotton products from Uzbekistan since 2011. The Cotton Campaign was established to improve human rights in Uzbekistan while International Labor Organization (ILO) allowed to monitor production in the country. The boycott also led to around two million children and a million adults being taken out of forced labor by the ILO. In its '2021 ILO Third-Party Monitoring Report of the Cotton Harvest in Uzbekistan' based on 11,000 interviews with cotton pickers, ILO says, 99 per cent workers involved in the 2021 cotton harvest worked voluntarily. Majority of cotton pickers also reported a marked improvement in working conditions since 2020.

Reforms eradicate child laborv In a joint press briefing held in March 2022, the Ministry of Employment and Labor Relations of the Republic of Uzbekistan noted in the last five years, the country has launched a massive drive to eliminate forced labor from the country. A leading partner of the Cotton Campaign Coalition, the Uzbek Human Rights Forum also denies the presence of forced labor in the country.

This accomplishment is credited to Uzbek President Shavkat Mirziyoyev, who has initiated several labor reforms. In a decree issued in 2012, Mirziyoyev banned children from working in cotton fields. He also launched numerous reforms as the President of the country to modernize Uzbeistan's former agricultural economic model and eradicate child and forced labor from. The government banned adults from being forced to work in fields. It abolished the quota system for cotton production and as recommended by the ILO and the World Bank, increased salaries.

Eradication of forced labor also led to the lifting of the international ban on cotton by the International Coalition Cotton Campaign.

ILO move to boost cotton consumption

Jonas Astrup, Chief Technical Advisor, ILO TPM Project in Uzbekistan says, the labor market in Uzbekistan is being democratized with minimum wages being raised by the government. Despite lifting the ban, brands continue to source from buyers diverting from China. The brands that have banned Uzbek cotton included H&M, which acted on the advice of industry certification agent, Better Cotton Initiative. Other brands like Nike, Ralph Lauren, Gap and American Eagle Outfitters, also banned vendors and suppliers from sourcing products or raw materials from Xinjiang. The ban is likely to boost cotton exports from Uzbekistan and create jobs in the country.

Lifting the ban may also help stabilize global cotton prices by boosting both consumption and production. The move is also advantageous to India which expects cotton yield to decline this year. India can purchase cotton from Uzbekistan at affordable rates. This strengthen bilateral economic relations between the two.

Source: fashionatingworld.com– May 05, 2022

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Cambodia's 2022 economic growth estimate revised to 5.4%

Real US gross domestic product (GDP) growth declined in the first quarter (Q1) of 2022 by 1.4 per cent, following a rapid acceleration of 6.9 per cent in last year's final quarter. The outright decline in real GDP was driven by sharp swings in the contributions of net exports and inventory investment, two components that had added strongly to growth in the fourth quarter, according to the US department of treasury.

There was a significant increase in the growth of private domestic final purchases (PDFP) to 3.7 per cent, attesting to the strength of private demand, the department said in a press release. PDFP is the sum of personal consumption, business fixed investment and residential investment.

As of May 2022, the United States is still in expansion, even though growth in January and February was affected by the omicron variant and other factors.

Before the release of the first quarter GDP reading, private forecasts expected US economic activity would return to its trend path late this year and GDP would grow at 2.3 per cent on a fourth-quarter over fourth-quarter basis.

Although this estimate may be revised down—and downside risks remain to the outlook—the U.S. economy is expected to continue its expansion this year. Waning fiscal and monetary stimulus along with recovering labour supply should help balance labour markets and relieve some inflationary pressures, the department forecast.

Private demand grew at a healthy rate despite a backdrop, which included a resurgence of COVID-19 cases from the omicron variant, expectations of tightening monetary policy, and Russia's invasion of Ukraine and its impacts on sentiment and prices for oil and food, it said.

Labour market conditions improved further during the first quarter of 2022, after making record gains in 2021—including the largest advance in payroll job creation, and the largest drops in the headline and the U-6 (broadest) unemployment rates in a calendar year.

With jobs plentiful and workers in short supply, strong nominal wage gains are drawing more workers back into the labour force.

However, supply-demand mismatches in the economy have driven headline—as well as core—inflation higher thus far in 2022. Rising inflation in 2021 reflected supply-demand imbalances, partly due to elevated demand from high household savings and partly related to supply-chain disruptions.

These factors continue to influence prices this year, and headline inflation has been further elevated by rising prices for energy and grains related to Russia's invasion of Ukraine. Still, core inflation may have peaked in spring 2022 and started to ebb, given a further waning of the pandemic, government efforts to contain energy prices, and an easing of supply bottlenecks in some markets. The slowdown in GDP in the first quarter this year reflected greater domestic demand for imports, higher prices and weaker demand for US exports, slower growth of private inventories and higher prices for government spending, the department noted.

Real PDFP accelerated to 3.7 per cent at an annual rate during the first quarter of this year, following a 2.6 per cent advance in the fourth quarter of last year. By stripping out international trade, government spending and the volatile inventory component, PDFP is typically a stronger indicator of future GDP increases and represents the private sector's capacity to generate self-sustaining growth, the department said.

The trade deficit widened by $191.6 billion to $1,541.7 billion in Q1 2022, which imposed the largest drag (3.2 percentage points) of any component on GDP growth. Total exports of goods and services dropped by 5.9 per cent at an annual rate, while total imports of goods and services jumped by 17.7 per cent. Nominal exports rose in the quarter, but real exports fell on a sharp increase in the export price index.

Inflation picked up markedly in 2021 and continued to accelerate earlier this year. Over the four-quarters of 2021, the consumer price index (CPI) rose by 7 per cent.

Source: fibre2fashion.com– May 05, 2022

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Vietnam's exports to UK up by 16.4% YoY in 2021

Vietnam-UK trade has recovered from the impact of the pandemic, reaching nearly $6.6 billion at the end of last year—up by 17 per cent from the previous year, according to the ministry of industry and trade. Vietnam's exports to the United Kingdom exceeded $5.7 billion—up by 16.4 per cent year-on-year. The rise is attributed to the UK-Vietnam Free Trade Agreement (UKVFTA) that took effect in August 2020.

The country exported more than $4.8 billion worth of goods to the United Kingdom in the first four months of 2022. Textile and garments was part of major currency earners, a news agency reported.

Sharp growth was seen in shipments of fruits and vegetables (67 per cent), coffee (17 per cent), pepper (49 per cent), iron and steel (1,269 per cent), and toys and sports equipment (19 per cent).

Meanwhile, imports from the United Kingdom rose by 23.6 pe rcent to nearly $850 million last year.

Source: fibre2fashion.com– May 06, 2022

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Pakistan's textile & apparel exports rise 25.43% in July-March FY22

The value of textile and garment exports from Pakistan increased by 25.43 per cent year-on-year in dollar terms in the first nine months of fiscal 2021-22. During the period, Pakistan earned $14.242 billion from textile and apparel exports, compared to exports of $11.355 billion in July-March 2020-21, according to data from Pakistan Bureau of Statistics.

Category-wise, knitwear exports rose by a sharp 34.12 per cent year-on-year to $3.729 billion during the nine-month period, while exports of non-knit readymade garments were up 26.24 per cent to $2.863 billion.

Among textiles, cotton yarn exports increased by 25.97 per cent to $908.487 million in July-March 2021-22, as against exports of $721.216 million made during the corresponding period of 2020-21. Exports of cotton fabric also rose by 26.51 per cent and were valued at $1.795 billion during the period under review.

Bedwear exports jumped by 19.33 per cent to $2.448 billion during the nine-month period, the data showed. On the other hand, synthetic fibre imports shot up 27.51 per cent year-on-year to $562.281 million, while imports of synthetic and artificial silk yarn rose 30.10 per cent to $650.219 million during July-March 2021-22.

Meanwhile, the value of textile machinery imports by Pakistan increased significantly by 64.68 per cent year-on-year to $621.686 million during the nine-month period.

The impressive growth in textile related exports and imports shows fast recovery after COVID-19 pandemic. Steep price rise in cotton and limited supplies also supported Pakistan's exports.

In fiscal 2020-21 ending June 30, textile and garment exports from Pakistan increased by 22.94 per cent to $15.400 billion over $12.526 billion exports in the previous fiscal. In fiscal 2018-19, the value was $13.327 billion.

Source: fibre2fashion.com– May 06, 2022

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NATIONAL NEWS

Shri Piyush Goyal asks Indian project exporters to explore markets in the developed world

Union Minister of Commerce and Industry, Consumer Affairs, Food and Public Distribution and Textiles, Shri Piyush Goyal today asked project exporters to diversify and foray into markets of the developed world and urged them to not restrict themselves to Government Line of Credit Projects and projects in the developing world.

He was delivering the Keynote Address at the 'Summit on Enhancing Global Opportunities for Indian Project Exporters' organized by the Exim Bank in New Delhi today.

Developed countries may very well offer advantages of low risk and lower capital requirement with higher credit rating of projects which will enable companies to for higher credit limits, he elaborated.

He complimented India Exim Bank for supporting exporters, for organizing the Summit by including international stakeholders, and for conducting the study on Indian Project Exports.

Outlining the challenges that global economy has been facing since the start of 2022 such as the Omicron wave, global supply chain disruptions, soaring raw material costs, container shortages, global financial market volatility and geopolitical tensions, the Minister observed that it was in this context that the summit is both timely and important.

Observing that several heads of governments and ministers had chosen India as their first destination post Covid, the Minister said that it signalled the tremendous interest that the India story has generated in the world. It is a recognition of efforts put in by each citizen and is indicative of a bright future for the nation, he added.

The Minister congratulated all the stakeholders for the blockbuster export performance of nearly USD 675 billion in 2021-22 and the record-breaking services export of nearly USD 254 billion, even with a pandemic induced slow down in travel and hospitality. Even the export figures of April 2022 which touched almost USD 38 billion are historic, he noted.

Shri Goyal said that the IT sector's performance during the pandemic was especially noteworthy and added that India did not let down a single international commitment during the pandemic. Thanks to visionary initiative like Digital India, the nation adapted very well to the exigencies of covid and made record service exports possible in a covid year, he explained.

Setting a target of USD 1 trillion worth of goods and services export each by 2030, the Minister said that the target could be achieved only with the whole-hearted participation of every single stake holder.

The Minister also urged the banking sector to abandon the mindset of conservatism that has set in the sector and be open to taking some risks and added that risk taking was an integral part of business.

India has all the necessary ingredients to become a global player in project exports, the Minister said and added that the world has realized that it is absolutely essential to invest in infrastructure. Project exports would also help our services and goods export to grow, he opined.

He asked the project export sector to look at credit enhancement schemes and find backstop arrangement for private banks to come into project financing.

Highlighting the Government's Lines of Credit (LOC) programme that has particularly been pivotal in creating opportunities for Indian project exporters, the Minister said that through Concessional Financing Scheme (CFS),Government has been supporting Indian companies bidding for strategic infrastructure projects in the overseas market.

He specified the need for building businesses that are independent of government aid and said that with such businesses, chances of growth and chances of us penetrating the markets of the developed world are better. He urged Exim bank to help exporters by studying what developed world markets wanted and by guiding our infrastructure companies to meet those requirements.

He also asked project export sector to proactively engage with government's FTA negotiations and give inputs and feedback about the market access problems or discriminations they faced with FTA countries.

He assured that these concerns would be factored into India's FTA negotiations.

Quoting Prime Minister, Shri Narendra Modi, the Minister said 'The world has great expectations from the India of 21st Century'. Our techies are leading the world from the front, our Farmers are now feeding the world, he said and added that it was time for our engineers and Project Managers be building the world.

He assured to fully support Indian Project Exporters and take forward suggestions emanating from the deliberations at the summit to make India "The destination" for project exports.

Source: pib.gov.in– May 05, 2022

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Tremendous opportunity lies ahead; Manufacturing and Exports, both, have to contribute in the post-pandemic scenario: Smt. Patel

Union Minister of State for Commerce & Industry, Smt. Anupriya Patel has called upon the Small and Medium Enterprises (SMEs) to adopt technology towards raising productivity and promoting sustainability. Addressing the Inaugural Session of the First FICCI Industry 4.0 Awards function and Conference here today, the Minister assured the industry of Government's support and urged them to take the 'Industry 4.0' to Tier-2 and Tier-3 cities.

"The adoption of Industry 4.0 is something that we have to do together. Manufacturing (and) Exports, both have to contribute, because in the post-pandemic scenario, you all know how the supply chains have been disrupted and there is a tremendous opportunity which lies ahead for us, for the country," said Smt. Patel.

Smt. Patel said, after the three Industrial Revolutions, we are now headed towards the 4th Industrial Revolution, - 'Industry 4.0', which is the trend of Automation & Data Exchange at all levels of production aimed at increasing productivity, efficiency and also addressing the issues of sustainability, climate change and host of other such relevant ideas.

Stating that the Prime Minister Shri Narendra Modi has a big vision for India@2047, Smt. Patel said the Government is committed towards transforming India during the Amritkaal, the next 25 years.

"Industry also has a big contribution to make and one such contribution could be moving towards the adoption of Industry 4.0. Industry sector, in a major way, can contribute to the economic development which is both sustainable and also inclusive," she said.

Smt. Patel said both Manufacturing and Exports will be India's growth drivers during the Amritkaal. She listed out the Government's initiatives towards facilitating Manufacturing including the PLI and EODB and promoting exports by pursuing various FTAs such as the India-UAE CEPA and India-Australia ECTA.

Smt. Patel said the Government is committed to creating industry friendly and a conducive environment.

"Today, Government of India's role has changed from being a regulator to a facilitator… We have given tremendous emphasis on the creation of industrial infrastructure, how much we are reducing the burden of compliances, the National Single Window (System) portal has been launched, we have jumped many positions in terms of Ease of Doing Business," she said.

The Minister said that in just over five years India has emerged as the world's third largest Startup ecosystem after the US and China and last month we achieved the distinction of having 100 Unicorns.

"So just look at the journey of the Startups, and this Unicorn wave is still going on, it is going very strong, this boom is continuing, I don't know how much more we have to see in this year," she said.

Source: pib.gov.in– May 05, 2022

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Russia proposes to revive old system to submit documents as it may boost India's exports

Russia has proposed to revive decades-old practice of submitting "paper LC (letter of credit)" citing economic sanctions as it seeks to ensure uninterrupted exports from India through a state debt rupee mechanism, a dedicated window for India's sovereign debt repayment that allows 9-10% exchange rate discount to Russian importers, said people familiar with the matter.

If the proposal is accepted, exports to Russia are likely to witness a surge.

The Bank of Russia and the Reserve Bank of India (RBI) are examining how to make this workable and at the same time comply with international sanctions.

Both the central banks did not reply to ET's queries.

"Officials of the two central banks have met twice and continue to be in talks, although the final decision has not been reached," one of the persons told ET on condition of anonymity.

Russian representatives have also submitted an album of signatures by Russian banks and dignitaries, a key document that helps authenticate the practice of paper LCs to the RBI, said the people. If the local Russian embassy can validate such an album, it should help earn the RBI's comfort level, they said.

"If the practice of physical hard copy or paper LC is revived and accepted by the RBI soon, it will support the state credit debt rupee mechanism, which in turn holds huge potential for Indian exporters, particularly after the global economic sanctions on Moscow," said Sachin Bhansali, director, Girnar Food & Beverages.

The state credit mechanism originated during the erstwhile USSR regime when the Soviet Union supported India by supplying essential items which were required for the development of infrastructure, energy and defence.

When the USSR was split, there was a bilateral agreement between Russia and India regarding a sovereign loan India had taken. India keeps repaying in rupees to an RBI account held by VEB Bank, the Russian development bank. Repayment term will be over by 2037, according to people aware of the matter.

A Russian importer has an advantage in paying Indian exporters via such a route. It pays about 90 cents against $100 to its local bank, which in turn asks the RBI to debit rupees equal to $100 and credit to the Indian exporter's account.

Economic sanctions barred Russia from accessing SWIFT payment system, a global payment gateway earlier used for sending LCs.

"Payments are not coming against the goods shipped already," said Mohit Agarwal, director, Asian Tea Company. "We had shipped teas on rupee LCs confirmed by the RBI. Now the Indian banks are not willing to handle the documents on the goods that are already on the high seas."

Exporters have reached out to all government authorities as they await resolution.

"We have been following up with the RBI but no clear-cut indication has come from the central bank yet on rupee trade," said Naeem Motorwala, director, Al-Gyas Exports, a rice exporter to Russia. "We are now looking at doing exports in dollars and against pre-payments."

Russia buys 43-45 million kg of tea from India annually. It imports 70,000 -100,000 lakh tonnes of non-basmati rice from India. Coffee, tobacco, fertilisers and pharmaceuticals are other items of export from India to Russia.

Source: economictimes.indiatimes.com– May 06, 2022

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Master developers to bear 70% of mega park cost: Textiles secy

Private master developers will need to foot 70% of the cost incurred in developing an integrated value chain in a mega textile park, according to Union textiles secretary Upendra Prasad Singh.

The availability of a real estate master developer would be a key condition for clearing proposals, the textiles secretary said.

The government has received proposals from 17 states for the PM Mega Integrated Textile Region and Apparel (PM MITRA) scheme, or the mega textile park scheme, which has been allocated ₹4,445 crore for seven years up to 2027-28. Only seven states will be selected for the scheme.

The textile sector has been among the top focus areas of the government in the free trade agreements (FTA) that India is negotiating with various countries. India has negotiated zero duty access for textile exports in the trade deals with the UAE and Australia, which could help boost domestic production. Similar negotiations are going on with large markets such as the UK and the EU.

“We prefer a private master developer who will put in 70% of the total investment. The other 30% will be given by the Union government. A master developer will be a real estate player rather than a textile player. The shortlisting for the first phase will be done shortly and the criteria for the second phase will be done on the basis of the availability of the master developer," Singh said.

Among the states that have shown interest are Tamil Nadu, Punjab, Odisha, Andhra Pradesh, Gujarat, Rajasthan, Assam, Madhya Pradesh, and Telangana.

The developers could choose to set up parks where the possibility of returns is high.

The mega textile parks scheme will help India bring scale and size and reduce logistics costs, which are very high at present, Singh contended.

“Even a smaller country such as Bangladesh has size and scale. Mega textile parks will also reduce fragmentation. At present, our textile value chain is very fragmented. Spinning, weaving, processing and garmenting ...all of these happen at different places," he pointed out.

Over the years, India’s share of exports of ready-made garments has declined significantly. It slipped from 6% in FY2010 to 4.2% in FY2021, as Bangladesh and Vietnam emerged as large textile exporters, according to a Morgan Stanley note.

India’s share of cotton yarn, fabrics, and handloom products, however, inched up from 3% in FY2010 to 3.9% in FY2016, and then decelerated to 3.4% in FY2021, the report further said.

The PM-MITRA scheme was first announced in Union Budget 2021 with the aim of making the textile industry globally competitive. Union finance minister Nirmala Sitharaman had said the scheme will create world-class infrastructure with plug-and-play facilities and spawn global champions in exports.

PM-MITRA offers an opportunity to create an integrated textiles value chain from spinning, weaving, processing, dyeing and printing to garment manufacturing at a single location. The value chain at a single location will reduce the logistics cost of the industry. The scheme is intended to generate as many as 1 lakh direct and 2 lakh indirect jobs per park.

The textile ministry had also said that there is a provision for social infrastructure, which will “ultimately enhance the overall income and uplift the quality of life of all textile workers who are associated with the PM MITRA Park".

Source: livemint.com– May 06, 2022

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India has no plans to join the WTO govt procurement agreement

India has “no plans" to join the government procurement agreement grouping of the World Trade Organization (WTO), but is open to negotiating such agreements as part of bilateral deals.

It already figures in the free trade agreement signed with the UAE, and while this may act as a template for all future bilateral free-trade agreements the scope and coverage of the section may vary, the ministry of commerce and industry said in the section on frequently asked questions on the India-UAE Comprehensive Economic Partnership Agreement (CEPA). Pacts under negotiation include those with Canada, the EU, Israel and the UK.

The India-UAE agreement, which came into effect on 1 May excludes government procurement for several union ministries. While this was the first time India had included government procurement in a free-trade pact, it is only limited to a few central ministries and excludes key sectors such as construction, infrastructure projects and health care, including medical devices and pharmaceutical products.

“India is an observer under WTO Agreement on government procurement since 2010 and, as of now, there is no plan to join the same," the ministry added. “Since it is the first time we are having a full text on GP, it has been carefully examined and developed after wider inter-ministerial, stakeholder consultations. In future agreements, the GP chapter text may become a template, and the scope and coverage of the GP chapter may vary depending on the ambition," it added.

Under the pact, only government procurement contracts worth over ₹200 crore will be allowed for UAE-based companies on the same terms as Indian firms. Government procurement is open to 34 ministries and departments, including power and education.

Earlier, India never took up government procurement for bilateral or multilateral trade agreements in order to protect domestic firms. This was one of the bottlenecks in several key FTA negotiations, including the one with the EU.

State-owned firms and the defence ministry are excluded from GP.

“Only limited central government ministries are covered, that too with high thresholds for procurement of goods, services and construction services... excluded are subordinate entities of the central ministries including departments and attached bodies, autonomous bodies, government-owned firms, public sector enterprises, regulators or any other entity, wholly or partially, under the central government," said the FAQs.

Prof Arpita Mukherjee of ICRIER said that the provision for a GP chapter is good as some Indian companies are also asking for access to the GP market in countries like the UK.

“Many of our trading partners are already part of the WTO GPA. There are two core issues. First, we do not have a comprehensive domestic regulation. Second, many sectors especially healthcare in a pandemic situation is out of the agreement. We also need to review the depth and coverage of the agreement," she said.

Source: livemint.com– May 06, 2022

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India must seize the trade opportunity opening now

The year 2021 was a record one for trade despite the pandemic. In terms of volumes, merchandise trade rose 9.8 per cent, while in dollar terms, it grew 26 per cent. The value of commercial services trade was also up 15 per cent. India has had a good export run in line with global trends, witnessing record goods exports of $419 billion, while touching $250 billion in services exports.

However, global growth forecasts have now been pared down. World merchandise trade volume is expected to grow at 3 per cent in 2022 (down from 4.7 per cent previously) and 3.4 per cent in 2023 according to the WTO. Note, world merchandise trade volume grew at twice the rate of world GDP at market exchange rates in the two decades before the global financial crisis.

However, this ratio between trade and GDP growth will fall to 1.1:1 in 2022 and 2023. Thus, slower global growth, an adverse geopolitical environment, the shadow of recurring waves of the pandemic and prolonged supply chain issues are likely to weigh on export growth this year.

This uncertain global economic environment calls for proactive policy actions as exporters look to tap into newer opportunities. Ukraine and Sri Lanka are major exporters of agricultural products and the vacuum created by their limited presence in global trade will open up agricultural export opportunities for India. This will not only spur overall exports but will also help to support the recovery of the agrarian economy through higher realisations. Apart from Europe, Africa's food security depends on wheat supplies from the two countries at war.

As many as 25 African countries import more than one-third of their wheat from Russia and Ukraine and for 15 of them, the share exceeds 50 per cent. Sri Lanka is also a major player in the global tea market and produces around 300 million kg annually.

Almost 98 per cent of its annual production is exported. India, the second-largest producer of tea with an annual production of 900 million kg, is in a good position to exploit the opportunity and fill the gap.

Apart from tea and wheat, newer export opportunities have arisen for textiles. Sri Lanka exports $5.42 billion worth of garments and prolonged power cuts in the island nation will hurt its production and export capacity. Major global brands such as Zara and H&M have been reportedly looking towards India since other Asian exporters like Bangladesh, Vietnam and

Cambodia lack the capacity to fill the void and Chinese factories are locked up due to a Covid surge.

If India were to tap export opportunities in developed markets, it must do the following. One, work on non-tariff barriers for agricultural trade with a special focus on harmonising the sanitary and phytosanitary (SPS) requirements. SPS barriers can be addressed in various ways including through scientific collaborations for the implementation of sector-specific measures and strengthening the traceability system in supply chains. Two, to support tea exports, traditional tea boards are seeking a greater role and autonomy for optimising the development, promotion, and research in the sector. Quicker implementation of the proposed Tea Promotion and Development Act is of utmost importance.

Three, India must double down on its integration with global supply chains. The commerce ministry has negotiated a slew of trade deals. This holds the promise of a new pro-trade policy, but India must become a part of the bigger trade pacts and regions. Four, tariff rates for intermediate inputs should be reduced to either zero or should be negligible for India to become an attractive location for assembly activities. Five, India must persist with the creation of an enabling ecosystem that realigns its specialisation patterns towards labour-intensive processes and product lines. The labour market reforms must be taken to their logical conclusion. Six, a continuous and pro-active FDI policy is also critical as foreign capital and technology are key enablers for entry into global production networks even as local firms play a role as subcontractors and suppliers of intermediate inputs to MNEs.

Lastly, exports could suffer if basic issues such as availability of power and logistical bottlenecks keep rearing their ugly heads. Note, for instance, the huge quantity of coal that awaits evacuation and transportation to power plants operating with low stocks from sheds or washery heads.The Economic Survey 2019 had recommended that low levels of service link costs (costs related to transportation, communication, and other tasks involved in coordinating the activity etc) are prerequisites to strengthen their participation in GVCs. This should not be neglected.

Source: indianexpress.com– May 06, 2022

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India's RMG exports grow 16.42 per cent in April

India's RMG exports increased 16.42 per cent to $1,510.77 million in April 2022, compared to 1,297 million in the corresponding month last year. Exports of cotton yarn, fabrics, made-ups, handloom products, etc went up 5.05 per cent in April to $1,119.02 million as against $1.065.20 million in April last year.

India's merchandise exports rose by 24.22 per cent to $38.19 billion in April this year against $30.75 billion in April last year. Merchandise imports increased by 26.55 per cent in April to $58.26 billion over $46.04 billion in April 2021. The trade deficit in April was $20.07 billion, according to the Ministry of Commerce and Industry . Value of non-petroleum exports grew 12.32 per cent in April 2022 to $30.46 billion over $27.12 billion in the same month last year.

Petroleum products exports grew by 113.21 per cent, electronic goods exports increased 64.04 per cent while chemicals exports increased by 26.71 per cent in April this year. The value of non-petroleum imports grew by 9.87 per cent to $38.75 billion in April, t over similar imports worth $35.27 billion in April last year.

Source: fashionatingworld.com– May 05, 2022

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Government working on solution to address raw material prices, says Union Minister

The Union government is aware of the problems faced by Micro, Small and Medium-scale Enterprises (MSMEs) because of high raw material prices and is working on solutions for the same, Minister of State for MSMEs Banu Pratap Singh Verma said here on Thursday.

Speaking to the media on the sidelines of Coir Conclave, organised by the Coir Board and the Ministry of MSMEs, he said the government is discussing the issue of high raw material prices that is hurting the MSMEs. The government had announced a relief package for MSMEs that was hit by the pandemic. The contribution of MSMEs to the country's GDP and exports is significant, he said.

On cluster initiatives, the Minister said Tamil Nadu is one of the leading hubs for the coir industry. The government planned to do more for the coir cluster in the State. Of the 27 coir cluster in the State, 14 were in Tamil Nadu.

Earlier, Union Minister for MSMEs Narayan Rane, who inaugurated "Enterprise India National Coir Conclave 2022", said coir had immense potential and could play an important role in enhancing exports and adding to the share of MSMEs in the GDP. The industry provided employment to more than seven lakh people in the rural areas of the coconut growing States. Almost 80% of these artisans were women. Production of coir products was largely confined to the Southern States. "The Ministry of MSME intends to promote coir production in other States and towards this, Government of India has taken numerous initiatives to popularise the use of coir for consumer and industrial use, especially as a replacement for many non-degradable products," he said.

Mr. Verma added that this event was held to bring about a co-ordinated effort between the State and Central governments to promote production of coir and coir products and to identify new areas of application of coir. It would provide a permanent base for the Central and the State governments concerned to work in a coordinated manner for the promotion of the coir industry.

Minister for Rural Industries, Tamil Nadu, T.M. Anbarasan, said the State has 5,000 coir units in the MSME sector and several cooperative societies. The State government extended ₹1.17 crore last financial year as marketing support. There are nine coir clusters in the State and three more are coming up at a cost of ₹19.73 crore.

As many as 27 units received 44 awards for coir and coir products. The Coir Board released new coir products such as coir composite fruit bowl, geo-textile shadow lamp, coir buttons, auto mirror covers made of coir, flat rectangular tray, and certificate holder. It also released the Manual of Technologies for Coir and books on coir pith, geo-textiles and coir floor furnishing.

Source: thehindu.com– May 05, 2022

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Medium-term credit growth set for headwinds, predicts India Ratings

Inflation, supply chain disruptions and a weak consumption demand could upset the revival in credit growth in the medium term, according to India Ratings.

The reversal of the interest rate cycle--marked by the Reserve Bank of India's 40 basis points increase in policy repo rate--would weigh down credit growth as borrowings become costlier. India Ra, based on the feedback from rated issuers, projected that capex revival could get delayed as companies await clarity on the macroeconomic front. Furthermore, the war in Ukraine has raised concerns on the continuation of the pace of exports.

However, banking system credit growth has shown a significant pick-up in the early part of FY23. The credit growth was 11.2 per cent year on year (YoY) as on April 08, 2022 compared to 5.3 per cent (YoY) in the same period in April 2021, and highest since July 2019.

India Ratings said in the near term credit growth will come from industries and service sector, even as growth in the agriculture segment remains stable and muted in the retail segment.

A continuing working capital demand from companies, driven by high commodity prices and the beginning of a shift back to the banking system from the bond markets amid rising interest rates are expected to keep the credit growth drivers in place.

The sectors which are likely to continue to perform well include power, metals, cement, chemicals and textiles, while the sectors that are likely to be under pressure include telecom, pharma, and commercial real estate.

Source: business-standard.com– May 05, 2022

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E-way bill generation dips in April, may affect GST collection

While some attribute it to the slowdown in economic activity, others feel the dip is temporary

After setting a record in March, the e-way bill generation has dipped by around 4 per cent in April. This means the GST collections in May will be lower than the April number.

Experts do not have a uniform explanation for the dip with some saying attributing it to the slowdown in economic activities while others feel it is only a temporary phase.

Higher than April 2021

Although lower than the March numbers, the latest e-way bill generation number is nearly 28 per cent higher than April 2021 figures. E-way bill is required to be generated by a registered GST taxpayer for the movement of goods if the value of the consignment is more than ₹50,000 for inter-State movement.

For intra-State movement, limits vary from State to State. Higher generation reflects more movement of goods within the State and between States.

Based on the monthly data, provided by GSTN, April saw generation of 25 lakh e-way bills on a daily average as against 25.08 lakh every day in the month of March and over 19.58 lakh during April last year. It may be noted that the month of April had seen all-time high GST collections of over ₹1.68-lakh crore. This collection is related to transactions that took place in March. Similarly, collections in May will be related to transactions that took place in April.

Expert opinion

Rajat Mohan, Senior Partner with tax consultancy firm ANRG, said any fall in the number of e-way bills exhibit a drop in the economic transactions, negative impact of which would be seen in the tax collections for the succeeding month. “Economic activity, especially in relation to goods, has gone down in April 2022 which certainly would lead to a fall in tax collections for May 2022 unless the same is compensated by tax collections from other emerging sectors like cryptos and NFT," he said.

Sandeep Sehgal, Partner (Tax) with AKM Global, a tax and consulting firm, said this could be a temporary trend. Businesses are generally aggressive in March, it being the last month of the financial year to close their sales target, and hence, may clear their stock to show the higher sales.

"However, the same gets moderated in the month of April wherein suppliers may have excess stock and may reduce their purchases," he said.

Source: thehindubusinessline.com– May 05, 2022

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Fast-fashion chain Primark to train cotton farmers in India on sustainable farming methods

Primark, one of Europe's biggest fast fashion chains, has pledged to train an additional 125,000 smallholder cotton farmers in more sustainable farming methods in India, Pakistan and Bangladesh by the end of 2023.

The group's sustainable cotton programme trains farmers on using fewer chemical pesticides and fertilisers and less water, thereby preserving the biodiversity and helping to mitigate against climate change. It also lowers input costs and improves yields and profits for the farmer, the group says. Primark, owned by London-listed Associated British Foods, said on Friday the commitment would take the total number of farmers in the programme to over 275,000 by the end of next year.

Last September, Primark vowed to cut its environmental impact by using more recyclable materials, making clothing more durable, and improving wages for workers.

It pledged that 100% of the cotton in its clothes would be sourced from its sustainable cotton programme, organic or recycled by 2027. It also committed to make all its products from recycled fibres or more sustainably sourced materials by 2030. Currently, almost 40 per cent of Primark clothing is made from recycled fibres or more sustainably sourced materials.

With environmental campaigners singling out the fashion industry for its heavy use of water and chemicals, major brands are coming under pressure to adapt supply chains and address a culture that has led to millions of items ending up in landfill.

Many environmental campaigners are sceptical about green pledges from brands, believing they are driven by a need for good PR and that the industry requires a wider culture change instead. Primark says its sheer size means it can make a difference. Last month Primark said it would raise some prices as it battles inflationary pressures.

Source: thehindubusinessline.com– May 06, 2022

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